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EUROPEAN BRIEF CO EB 81-103 FOR 29 MAY

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2.//ITALY: IMPLICATIONS OF THE GOVERNMENT'S COLLAPSE//

//THE ITALIAN GOVERNMENT'S RESIGNATION EARLIER THIS WEEK SIGNALS A PROTRACTED CRISIS DURING WHICH MAJOR DOMESTIC AND FOREIGN POLICY DECISIONS ARE LIKELY TO BE DEFERRED.//

//OUTGOING PRIME MINISTER FORLANI--A CHRISTIAN DEMOCRAT--IS ATTEMPTING TO RECONSTITUTE HIS FOUR-PARTY COALITION, BUT THE PIVOTAL SOCIALISTS ARE UNLIKELY TO COOPERATE UNLESS A NEW GOVERNMENT IS LED BY SOCIALIST CHIEF CRAXI. THE CHRISTIAN DEMOCRATS ALMOST CERTAINLY WILL REFUSE TO SURRENDER THE PRIME MINISTRY, PARTICULARLY SINCE PRESIDENT PERTINI IS A SOCIALIST.//

//FORLANI PROBABLY WILL STAY ON AS A CARETAKER THROUGH THE LOCAL ELECTIONS NEXT MONTH. THE IMPASSE COULD EXTEND UNTIL THE FALL, HOWEVER, WHEN NATIONAL ELECTIONS MIGHT BE CALLED AS THE ONLY REMAINING WAY TO BREAK THE DEADLOCK. IF THE TWO PARTIES ARE STILL UNABLE TO COME TO TERMS BASED ON THE ELECTION RESULTS, ONE OR THE OTHER MIGHT OFFER THE COMMUNISTS A DIRECT ROLE IN THE GOVERNING

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PROCESS IN RETURN FOR SUPPORTING ITS OWN AIMS.//

//THE REPERCUSSIONS OF THE MASONIC SCANDAL WILL CRIPPLE ANY CARETAKER GOVERNMENT. THE SUSPENSION OF ITALY'S SECURITY SERVICE CHIEFS MAY DAMAGE THE ANTITERRORIST CAMPAIGN AND PROMPT MORE TERRORIST ATTACKS.//

//THE FAILURE OF THE PARTIES TO RECONSTRUCT THE PREVIOUS GOVERNMENT'S MAJORITY ALMOST CERTAINLY WOULD SET BACK EFFORTS TO STABILIZE THE ECONOMY. INFLATIONARY PRESSURES WILL PROBABLY MOUNT, BUT NO RUN ON THE LIRA IS EXPECTED IN THE NEAR FUTURE.//

//IN THE FOREIGN POLICY AREA, A PUBLIC ANNOUNCEMENT IS UNLIKELY ABOUT THE SITE WHERE GROUND-LAUNCHED CRUISE MISSILES ARE TO BE DEPLOYED AS PART OF NATO'S TNF MODERNIZATION PROGRAM. ROME'S SUPPORT FOR THE TNF PROGRAM COULD BE REOPENED IF THE COMMUNISTS OR SOCIALISTS VIEW THE ISSUE AS A VEHICLE TO ADVANCE THEIR POLITICAL AMBITIONS.//

//FINALLY, FORLANI PROBABLY WOULD ADOPT A LOW PROFILE AT THE OTTAWA SUMMIT IN HIS CAPACITY AS A CARETAKER. HE WOULD BE LIKELY TO USE THE UNSETTLED DOMESTIC POLITICAL SITUATION AS AN EXCUSE FOR AVOIDING FIRM COMMITMENTS. IN ADDITION, ROME'S ABILITY TO SUPPORT US FOREIGN POLICY INITIATIVES WOULD BE MUTED SO LONG AS THE POLITICAL SITUATION REMAINS UNSETTLED.//

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